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FOR MCLEAN; NICE FOR THOMAS GEWECKE

E.O. 11652: N/A
TAGS: ETRD, OECD
SUBJECT: AD HOC WORKING GROUP ON THE STEEL INDUSTRY,
DRAFT DECISION OF THE COUNCIL ESTABLISHING A STEEL
COMMITTEE
FOLLOWING IS DRAFT DECISION OF THE COUNCIL CIRCULATED
TO THE DELEGATION ON 9/8/78:
BEGIN TEXT

1. IT WAS AGREED AT THE SIXTH MEETING OF THE AD
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HOC WORKING GROUP ON THE STEEL INDUSTRY THAT THE
SECRETARIAT WOULD PREPARE FOR DISCUSSION AT THE
NEXT MEETING, WHICH WILL BE HELD ON 20TH AND 21ST
SEPTEMBER, 1978, A DRAFT DECISION OF THE COUNCIL ON
THE SETTING UP OF A STEEL COMMITTEE IN THE OECD
FRAMEWORK.

2. DELEGATES WILL FIND IN THE ATTACHED PAPER:

(A) A DRAFT DECISION OF THE COUNCIL ESTABLISHING A STEEL COMMITTEE;

(B) AS AN ANNEX TO THE DECISION THE FORMER "DRAFT RESOLUTION ON STEEL" AS IT STOOD AT THE CONCLUSION OF THE GROUP'S SIXTH MEETING (N.B. AS AGREED AT THE MEETING THIS TEXT HAS BEEN POLISHED WHILE AVOIDING ANY CHANGES TO ITS SUBSTANCE, AND IT HAS BEEN INCLUDED AS AN INTEGRAL PART OF THE DECISION); AND

(C) AN EXPLANATORY NOTE ON THE DRAFT DECISION OF THE COUNCIL INTENDED PURELY TO FACILITATE THE EXAMINATION BY DELEGATIONS OF THE DRAFT DECISION WHICH WILL BE THE DOCUMENT TO BE SUBMITTED TO THE COUNCIL FOR DECISION AFTER REVIEW AND APPROVAL BY THE WORKING GROUP.

3. THIS PAPER IS DISTRIBUTED TO HEADS OF DELEGATIONS TO THE OECD AND TO HEADS OF DELEGATIONS TO THE AD HOC WORKING GROUP ON THE STEEL INDUSTRY SO THAT IT CAN BE CONSIDERED BY ALL APPROPRIATE NATIONAL AUTHORITIES BEFORE ITS DISCUSSION BY THE GROUP.

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DRAFT DECISION OF THE COUNCIL ESTABLISHING A STEEL COMMITTEE

THE COUNCIL,

HAVING REGARD TO THE CONVENTION ON THE ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT OF 14TH DECEMBER, 1960 (HEREINAFTER REFERRED TO AS THE "CONVENTION") AND, IN PARTICULAR, ARTICLES 5(A), 6, 12, 13, AND 20 THEREOF;

HAVING REGARD TO THE COMMUNIQUE APPROVED BY THE COUNCIL MEETING AT MINISTERIAL LEVEL ON 15TH JUNE, 1978 AND, IN PARTICULAR, ANNEX II THEREOF (C(78)96(FINAL));

CONSIDERING THAT THE AD HOC WORKING GROUP ON THE STEEL INDUSTRY HAS REACHED THE CONCLUSION THAT A STEEL COMMITTEE SHOULD BE ESTABLISHED WITHIN THE FRAMEWORK OF THE ORGANISATION AND THAT A NUMBER OF MEMBER COUNTRIES AS WELL AS THE EUROPEAN COMMUNITIES HAVE EXPRESSED THEIR INTENTION TO

PARTICIPATE THEREIN;

DECIDES:

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ARTICLE 1

IN ORDER TO SEEK SOLUTIONS TO THE PROBLEMS AND
ACHIEVE THE OBJECTIVES SET OUT IN THE
ANNEX, A STEEL COMMITTEE (HEREINAFTER REFERRED TO AS
THE "COMMITTEE") IS ESTABLISHED WITHIN THE FRAME-
WORK OF OECD AND SHALL HAVE THE FUNCTIONS AND THE
WORK PROGRAMME SET OUT IN THE ANNEX.

ARTICLE 2

(A) PARTICIPANTS IN THE COMMITTEE SHALL BE:

(I) (LIST OF OECD MEMBER COUNTRIES PARTICIPA-
TING IN THE COMMITTEE AND THE
EUROPEAN COMMUNITIES.)

(II) ANY OTHER MEMBER COUNTRY OF THE ORG

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TION WHICH DECIDES TO PARTICIPATE IN THE
COMMITTEE AT A LATER STAGE.

(B) THE COMMITTEE MAY DECIDE TO PROPOSE TO THE COUNCIL THAT A NON-MEMBER COUNTRY WITH SUBSTANTIAL STEEL PRODUCTION (OR TRADE) INTERESTS SHOULD BE INVITED TO PARTICIPATE IN THE COMMITTEE. ONLY MEMBER COUNTRIES PARTICIPATING IN THE COMMITTEE SHALL TAKE PART IN THE COMMITTEE'S DECISION. SUCH PROPOSAL SHALL INCLUDE THE TERMS AND CONDITIONS FOR THE NON-MEMBER COUNTRY'S PARTICIPATION. IN MAKING SUCH PROPOSAL THE COMMITTEE MUST BE SATISFIED THAT THE NON-MEMBER COUNTRY HAS AGREED AND IS ABLE TO UNDERTAKE THE SAME COMMITMENTS WITH REGARD TO THE COMMITTEE'S WORK AS THE OECD MEMBER COUNTRIES WHICH PARTICIPATE THEREIN AND THAT ITS PARTICIPATION IN THE COMMITTEE WOULD CONTRIBUTE TO ACHIEVING THE OBJECTIVES OF THE COMMITTEE. UNLESS THE COUNCIL DECIDES THAT SUCH INVITATION WOULD BE INAPPROPRIATE THE SECRETARY-GENERAL SHALL INVITE THAT COUNTRY TO PARTICIPATE IN THE COMMITTEE.

ARTICLE 4

EXPENDITURE REQUIRED FOR THE FUNCTIONING OF THE COMMITTEE SHALL BE DEFRAID FROM THE APPROPRIATIONS AUTHORISED FOR THAT PURPOSE UNDER PART II OF THE BUDGET OF THE ORGANISATION. THE COMMITTEE SHALL SUBMIT TO THE COUNCIL EACH YEAR A PROGRAMME OF WORK AND CORRESPONDING BUDGETARY PROPOSALS.

ARTICLE 5

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THE COMMITTEE MAY MAKE PROPOSALS TO THE COUNCIL ON ANY MATTER WITHIN ITS TERMS OF REFERENCE AND, AT THE REQUEST OF THE COUNCIL OR ON ITS OWN INITIATIVE, THE COMMITTEE MAY SUBMIT OTHER COMMUNICATIONS TO THE COUNCIL.

ARTICLE 6

(A) THE PROVISIONS OF THE RULES OF PROCEDURE OF
THE ORGANIZATION SHALL APPLY TO THE COMMITTEE TO THE
EXTENT THAT THIS DECISION DOES NOT DEROGATE THEREFROM.

(B) THE COMMITTEE MAY MAKE RECOMMENDATIONS TO
PARTICIPANTS WITHIN THE SCOPE OF ITS TERMS OF
REFERENCE.

(C) SHOULD THE COMMITTEE AGREE TO MODIFY SUBSEQUENTLY
THE INITIAL COMMITMENTS REFERRED TO IN ARTICLE 2
IT MAY MAKE A PROPOSAL TO THAT EFFECT TO THE COUNCIL
AND UNLESS THE COUNCIL DECIDES THAT SUCH MODIFICA-
TIONS ARE NOT CONSISTENT WITH THE AIMS OF THE ORGANI-
SATION IT SHALL AMEND THE ANNEX ACCORDINGLY.

(D) THE ANNEX TO THE RULES OF PROCEDURE IS
AMENDED BY THE INSERTION OF A NEW PARAGRAPH
AS FOLLOWS:

"26. STEEL COMMITTEE. ITS TERMS OF REFERENCE
ARE DEFINED IN THE DECISION OF THE
COUNCIL, C(78).... ."

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ARTICLE 7

THIS DECISION AND THE ANNEX, WHICH SHALL
BE AN INTEGRAL PART THEREOF, SHALL TAKE EFFECT
ON

ANNEX

PROBLEMS

1. THE WORLD'S STEEL INDUSTRY IS EXPERIENCING
SERIOUS DIFFICULTIES OF BOTH A CYCLICAL AND
STRUCTURAL NATURE. THESE DIFFICULTIES ARE WIDESPREAD
AND ARE CHARACTERISED BY:

- PERSISTENT EXCESS CAPACITY;
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- AN EXCEPTIONALLY LOW LEVEL OF DEMAND;
- UNJUSTIFIABLY LOW PRICES ON WORLD MARKETS;
- MARKED CHANGES IN TRADITIONAL TRADE PATTERNS;
- MAJOR DISLOCATIONS OF LABOUR, FREQUENTLY IN
AREAS ALREADY EXPERIENCING HIGH UNEMPLOYMENT;
- DEPRESSED FINANCIAL PERFORMANCE AMONG
PRODUCERS, WHICH HOLDS DOWN INVESTMENTS NEEDED
FOR MODERNISATION AND RATIONALISATION OF
PLANTS;
- INCREASING GOVERNMENTAL INTERVENTION IN STEEL
SUPPLY AND DEMAND, ESPECIALLY WITH FOREIGN
TRADE.

2. IN VIRTUALLY ALL MAJOR STEEL-PRODUCING
NATIONS, STEEL OCCUPIES A CENTRAL PLACE IN THE
NATIONAL ECONOMY. IN A NUMBER OF MAJOR AREAS, THE
MAGNITUDE OF STRUCTURAL PROBLEMS CONFRONTING THE
STEEL SECTOR AND RESULTANT SOCIAL AND ECONOMIC IMPLI-
CATIONS OF THE NECESSARY STRUCTURAL ADJUSTMENTS ARE
SUBSTANTIAL.

3. THE INTERRELATIONSHIP OF DEVELOPMENTS IN THE
STEEL SECTORS FROM COUNTRY TO COUNTRY AND THE
POTENTIAL THAT UNILATERAL ACTIONS AND POLICIES CAN
AGGRAVATE THE PROBLEMS OF OTHERS HAVE BECOME
CLEAR. THE CONVERGENCE OF CYCLICAL PROBLEMS AMONG
MANY NATIONS SERVES TO INTENSIFY THE PROBLEMS FACED
BY EACH. THERE IS GENERAL RECOGNITION THAT THERE MAY
WELL BE RECURRING CYCLICAL DIFFICULTIES.

OBJECTIVES

4. IN VIEW OF THESE DIFFICULTIES, GOVERNMENTS NEED
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TO WORK CLOSELY TOGETHER IN ORDER TO:

- ENSURE THAT TRADE IN STEEL WILL REMAIN AS UNRES-
UNRESTRICTED AND FREE OF DISTORTION AS POSSIBLE.
RESTRICTIVE ACTIONS SHOULD BE AVOIDED AND,
WHERE NECESSARY, STRICTLY LIMITED IN SCOPE
AND TIME, AND IN CONFORMITY WITH GATT RULES
((1));
- ENCOURAGE REDUCTION OF BARRIERS TO TRADE;
- ENABLE GOVERNMENTS TO ACT PROMPTLY TO COPE WITH
CRISIS SITUATIONS IN CLOSE CONSULTATION WITH
INTERESTED TRADING PARTNERS AND IN CONFORMITY
WITH AGREED PRINCIPLES;
- FACILITATE NEEDED STRUCTURAL ADAPTATIONS THAT WILL
DIMINISH PRESSURES FOR TRADE ACTIONS AND
PROMOTE RATIONAL ALLOCATION OF PRODUCTIVE RESOUR-
CES WITH THE AIM OF ACHIEVING FULLY COMPETITIVE
ENTERPRISES;
- ENSURE THAT MEASURES AFFECTING THE STEEL
INDUSTRY ARE CONSISTENT TO THE EXTENT POSSIBLE
WITH GENERAL ECONOMIC POLICIES AND TAKE INTO
ACCOUNT IMPLICATIONS FOR RELATED INDUSTRIES,
INCLUDING STEEL-CONSUMING INDUSTRIES;
- AVOID ENCOURAGING ECONOMICALLY UNJUSTIFIED
INVESTMENTS WHILE RECOGNISING LEGITIMATE
DEVELOPMENT NEEDS;
- FACILITATE MULTILATERAL CO-OPERATION CONSISTENT
WITH THE NEED TO MAINTAIN COMPETITION, TO
ANTICIPATE AND, TO THE EXTENT POSSIBLE, PREVENT
PROBLEMS.

((1)) - FOOTNOTE (AFTER TICK 1): IT IS NOTED THAT

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REFERENCE TO GATT RULES AND PROVISIONS IN THIS TEXT
DO NOT ALTER THE GATT RIGHTS AND OBLIGATIONS OF
INDIVIDUAL PARTICIPANTS.)

COMMITTEE FUNCTIONS

5. THE STEEL COMMITTEE WILL MEET REGULARLY AND IN SPECIAL SESSIONS AS REQUIRED TO:

(1) CONTINUOUSLY FOLLOW NATIONAL, REGIONAL AND WORLD SUPPLY AND DEMAND CONDITIONS IN STEEL AND CLOSELY RELATED INDUSTRIES, INCLUDING STEEL-CONSUMING INDUSTRIES, WITH A VIEW TO IDENTIFYING POTENTIAL PROBLEMS AND IMPLICATIONS AND MAKING ASSESSMENTS AND FORECASTS AVAILABLE TO ALL INTERESTED PARTIES;

(2) CONTINUOUSLY FOLLOW THE EVOLUTION OF NATIONAL,
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REGIONAL AND WORLD STEEL INDUSTRIES WITH REGARD TO EMPLOYMENT, PROFITS, INVESTMENTS, CAPACITY, INPUT COSTS, PRODUCTIVITY, AND OTHER ASPECTS OF VIABILITY AND

COMPETITIVENESS;

6.(3) DEVELOP COMMON PERSPECTIVES REGARDING EMERGING PROBLEMS OR CONCERNS IN THE STEEL SECTOR AND ESTABLISH, WHERE APPROPRIATE, MULTILATERAL OBJECTIVES OR GUIDELINES FOR GOVERNMENT POLICIES;

(4) REGULARLY REVIEW AND ASSESS GOVERNMENT POLICIES AND ACTIONS IN THE STEEL SECTOR IN THE LIGHT OF THE CURRENT SITUATION, AGREED MULTILATERAL OBJECTIVES AND GUIDELINES AND THE GATT AND OTHER RELEVANT INTERNATIONAL AGREEMENTS;

(5) IDENTIFY DEFICIENCIES AND GAPS IN EXISTING DATA NEEDED BY THE COMMITTEE WITH A VIEW TO IMPROVING NATIONAL INPUTS TO THE COMMITTEE AND CROSS-NATIONAL COMPARABILITY OF DATA.

INITIAL COMMITMENTS

6. PARTICIPANTS IN THE STEEL COMMITTEE AGREE TO THE FOLLOWING MULTILATERAL GUIDELINES:

A. WITH RESPECT TO STEEL CRISIS TRADE ACTIONS:

1. NO ACTIONS SHOULD BE INCONSISTENT WITH GATT PROVISIONS.
2. WHEN ACTIONS ARE NECESSARY THEY SHOULD BE AS LIMITED AND TEMPORARY AS PRACTICABLE AND APPROPRIATE LIMITED OFFICIAL USE

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TO THE CAUSES WHICH LED TO THEIR INTRODUCTION.

3. ALL ACTIONS (FOOTNOTE: IT IS UNDERSTOOD THAT THESE INCLUDE ALL SAFEGUARD MEASURES SUBJECT TO A REPORTING REQUIREMENT IN THE SAFEGUARDS CODE NEGOTIATED IN THE M.T.N.) BRACKET (INCLUDING, ON REQUEST, VOLUNTARY RESTRAINT AGREEMENTS) END BRACKET TAKEN BY PARTICIPANTS SHOULD BE REPORTED PROMPTLY TO THE STEEL COMMITTEE AND, IN CONFORMITY WITH GATT RULES, TO THE GATT. THE STATUS AND RATIONALE FOR MAINTAINING SUCH ACTIONS SHOULD BE REPORTED PERIODICALLY TO THE STEEL COMMITTEE. PARTICIPANTS AGREE TO CONSULT ON ANY TRADE ACTION OF INTEREST TO ANOTHER PARTICIPANT.

4. WHEN TAKING ACTION UNDER DOMESTIC LAW AND PROCEDURES TO DEAL WITH SERIOUS DIFFICULTIES OF ITS INDUSTRY, A PARTICIPANT SHALL TAKE INTO ACCOUNT THE

CONCERNS OF TRADING PARTNERS THAT (TRADITIONAL)
TRADE FLOWS ESTABLISHED UNDER NORMAL CONDITIONS OF
COMPETITION NOT BE SEVERELY DISRUPTED.

5. PRICE GUIDELINES SHOULD BE IN CONFORMITY WITH
THE INTERNATIONAL ANTI-DUMPING CODE AND ARE
APPROPRIATE ONLY DURING CRISIS PERIODS OF SUBSTAN-
TIAL EXCESS CAPACITY IN EXPORTING COUNTRIES, WIDE-
SPREAD PRICE CUTTING BY MANY EXPORTERS OVER MANY
PRODUCTS IN THE IMPORTING MARKET OR ON WORLD

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MARKETS, AND DEPRESSED DOMESTIC INDUSTRY CONDI-
TIONS SUCH AS LOW CAPACITY UTILISATION, PROFITS,
SALES, INVESTMENTS AND EMPLOYMENT. SUCH ACTIONS
SHOULD BE EXPEDITIOUSLY REMOVED OR LIBERALISED
AS CONDITIONS IMPROVE.

6. SUCH PRICE GUIDELINES SHOULD EITHER NOT EXCEED
THE LOWEST NORMAL PRICES IN THE SUPPLYING COUNTRY
OR COUNTRIES WHERE NORMAL CONDITIONS OF COMPETI-
TION ARE PREVAILING, OR NOT EXCEED PRICES COMPRISING

(THE SUMS OF THE LOWEST FULL COSTS OF PRODUCTION (INCLUDING OVERHEADS) AND PROFIT IN SUCH COUNTRY OR COUNTRIES) (THE SUMS OF THE FULL COSTS OF PRODUCTION (INCLUDING OVERHEADS) AND PROFIT IN THE MOST EFFICIENT PRODUCING COUNTRY); DELIVERY COSTS TO THE IMPORTING MARKET AND IMPORT DUTIES MAY BE INCLUDED AS REQUIRED.

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(B. PARTICIPANTS IN THE STEEL COMMITTEE RECALL THEIR DETERMINATION TO ABSTAIN FROM DESTRUCTIVE COMPETITION IN OFFICIAL SUPPORT OF EXPORT CREDIT; THEY AGREE THAT THEIR POLICIES IN THE FIELD OF EXPORT CREDITS FOR STEEL PLANT AND EQUIPMENT WILL BE FULLY CONSISTENT WITH THE ARRANGEMENT ON GUIDELINES FOR OFFICIALLY SUPPORTED EXPORT CREDITS AND CONTRIBUTE TO THE AVOIDANCE OF COMPETITIVE SUBSIDISATION OF SUCH EXPORTS.)

C. PARTICIPANTS, RECALLING THE GENERAL ORIENTATIONS FOR ADJUSTMENT POLICIES ADOPTED AS PART OF THE COMMUNIQUE OF THE JUNE 1978 MEETING OF THE COUNCIL AT MINISTERIAL LEVEL, AGREE THAT DOMESTIC POLICIES TO SUSTAIN STEEL FIRMS DURING CRISIS PERIODS SHOULD NOT SHIFT THE BURDEN OF ADJUSTMENT TO OTHER COUNTRIES AND THUS INCREASE THE LIKELIHOOD OF RESTRICTIVE TRADE ACTIONS BY OTHER COUNTRIES (E.G. BY ARTIFICIALLY STIMULATING EXPORTS OR BY ARTIFICIALLY DISPLACING IMPORTS). FURTHER, AS A GENERAL RULE, DOMESTIC MEASURES SHOULD NOT PREVENT MARGINAL FACILITIES FROM CLOSING IN THOSE INSTANCES WHERE THE FACILITIES CANNOT BECOME COMMERCIALY VIABLE WITHIN A REASONABLE PERIOD OF TIME.

D. PARTICIPANTS IN THE STEEL COMMITTEE AGREE TO MAKE EVERY EFFORT TO PROVIDE EFFECTIVE PROGRAMMES FOR STEEL WORKER RE-ADAPTATION AWAY FROM FACILITIES AFFECTED BY STRUCTURAL ADJUSTMENTS INTO ALTERNATIVE EMPLOYMENT. TO THIS END, THEY WILL PERIODICALLY EXCHANGE INFORMATION ON THE EFFECTIVENESS OF POLICIES AND PROGRAMMES TO ASSIST STEEL WORKERS AND COMMUNITIES.

E. ANY ACTIONS TO RESTRICT TRADE IN STEELMAKING
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MATERIALS SHOULD BE REPORTED PROMPTLY TO THE STEEL COMMITTEE AND BE SUBJECT TO CONSULTATION WITH AFFECTED

PARTIES.

WORK PROGRAMME

7. WITH RESPECT TO THE COMMITMENTS AGREED IN THIS
RESOLUTION THE STEEL COMMITTEE SHOULD PROMPTLY UNDERTAKE
AN EXAMINATION OF GOVERNMENT POLICIES AFFECTING THE
STEEL SECTOR IN THE FOLLOWING AREAS:

(1) EVOLUTION OF TRADE FLOWS AND THE IMPACT ON THEM
OF GOVERNMENT MEASURES;

(2) GUIDELINES FOR STEEL TRADE ACTIONS;

(3) ADAPTATION OF PRODUCTION STRUCTURE THROUGH
MODERNISATION, CLOSURES AND RECONVERSIONS;

(4) RE-ADAPTATION OF LABOUR;

(5) DOMESTIC POLICIES TO SUSTAIN STEEL PRODUCTION
AND STIMULATE STEEL DEMAND IN TIMES OF CRISIS;

(6) DOMESTIC PRICING AND SUPPLY;

(7) GOVERNMENT EXPORT CREDITS FOR STEEL PLANT AND
EQUIPMENT.

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THE COMMITTEE WILL CONTINUE THE WORK INITIATED IN THE AD HOC STEEL GROUP AND MAY UNDERTAKE EXAMINATIONS IN OTHER AREAS AS DEEMED APPROPRIATE BY THE PARTICIPANTS.

DRAFT DECISION OF THE COUNCIL

EXPLANATORY NOTE

GENERAL

1. THE ESTABLISHMENT OF A STEEL COMMITTEE WITHIN THE FRAMEWORK OF OECD WOULD REQUIRE AN APPROPRIATE DECISION BY THE COUNCIL. INASMUCH AS NOT ALL MEMBER COUNTRIES MAY WISH TO PARTICIPATE IN THE STEEL COMMITTEE, IT WOULD BE SET UP UNDER PART II OF THE BUDGET OF THE ORGANISATION. FURTHER, THERE IS A CONSENSUS THAT A LIMITED OFFICIAL USE

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LIMITED NUMBER OF NON-MEMBER COUNTRIES WILL BE INVITED TO PARTICIPATE IN THE COMMITTEE; SETTING UP THE COMMITTEE AS A PART II ACTIVITY WOULD ALLOW THIS TO BE PROVIDED FOR IN A FLEXIBLE MANNER.

2. GIVEN THAT THE "DRAFT RESOLUTION ON STEEL" HAS BEEN UNDER NEGOTIATION FOR SOME TIME AND INCLUDES A STATEMENT OF THE DIFFICULTIES EXPERIENCED BY THE STEEL INDUSTRY, THE OBJECTIVES, THE FUNCTIONS AND THE WORK PROGRAMME FORESEEN FOR THE PROPOSED COMMITTEE, AS WELL AS THE INITIAL COMMITMENTS WHICH PARTICIPANTS IN THE COMMITTEE WOULD UNDERTAKE, IT WOULD SEEM DESIRABLE TO LEAVE THIS DOCUMENT INTACT RATHER THAN TO ATTEMPT TO INTEGRATE IT PIECE BY PIECE INTO THE DECISION. CONSEQUENTLY, THE DRAFT DECISION HAS BEEN CONCEIVED AS A FRAMEWORK FOR THE COMMITTEE AND WOULD INCORPORATE "IN TOTO" THE "DRAFT RESOLUTION ON STEEL", AS FINALLY AGREED, BY ANNEXING THAT TEXT TO THE DECISION AND MAKING IT AN INTEGRAL PART THEREOF.

3. IT SHOULD ALSO BE BORNE IN MIND, IN EXAMINING THE DRAFT TEXT AND THIS NOTE, THAT CERTAIN MEMBER COUNTRIES MAY WISH TO INCLUDE POLICY STATEMENTS IN THE MINUTES OF THE COUNCIL AT THE TIME THE DECISION IS ADOPTED.

4. REFERENCE MIGHT ALSO BE MADE IN THE COUNCIL MINUTES
TO THE NON-MEMBER COUNTRIES WHICH MIGHT IN THE FIRST
INSTANCE BE INVITED TO PARTICIPATE IN THE COMMITTEE.

5. THIS NOTE IS AN EXPLANATION OF THE PROPOSED DRAFT
DECISION, ARTICLE BY ARTICLE, IN THE ORDER OF THE
ARTICLES.

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ARTICLE 1

6. THIS ARTICLE FORMALLY ESTABLISHES THE COMMITTEE
WITHIN THE ORGANISATION AND INCORPORATES THE FORMER
"DRAFT RESOLUTION ON STEEL" WITH THE EXCEPTION OF THE
INITIAL COMMITMENTS WHICH ARE INCORPORATED BY A SEPARATE
ARTICLE (ARTICLE 2) AS THIS REQUIRES A DIFFERENT WORD-
ING.

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ARTICLE 2

7. A SPECIAL ARTICLE HAS BEEN INCLUDED IN RESPECT OF THE INITIAL COMMITMENTS SET OUT IN PARAGRAPH 6 OF THE ANNEX IN ORDER TO GIVE TO THEM A FORMAL, LEGAL STATUS. INCORPORATING AN UNDERTAKING IN RESPECT OF THESE COMMITMENTS IN THE BODY OF THE DECISION TRANSFORMS THEM INTO A BINDING LEGAL OBLIGATION FOR MEMBER COUNTRIES PARTICIPATING IN THE COMMITTEE (OF OECD CONVENTION, ARTICLE 5(A)). IF, SUBSEQUENTLY, THESE COMMITMENTS WERE EITHER MODIFIED OR SUPPLEMENTED IT WOULD BE NECESSARY TO AMEND ACCORDINGLY THE ANNEX BY A FURTHER COUNCIL DECISION AND A PROCEDURE HAS BEEN PROVIDED FOR THIS IN ARTICLE 6(C).

8. ON THE OTHER HAND, IF IT WERE THOUGHT APPROPRIATE LIMITED OFFICIAL USE

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TO GIVE TO THE COMMITMENTS A LESS FORMAL STATUS, PROVISION COULD BE MADE IN THIS INITIAL DRAFT DECISION FOR THE COUNCIL SIMPLY TO TAKE NOTE OF THEM. IF, IN THIS SITUATION, THE COUNTRIES UNDERTAKING THE COMMITMENTS WISHED TO MODIFY OR SUPPLEMENT THEM THEY COULD SO DO QUITE FREELY, WITHIN THE COMMITTEE'S TERMS OF REFERENCE, WITHOUT HAVING TO SEEK COUNCIL APPROVAL. HOWEVER, THEY WOULD NORMALLY WISH TO SUBMIT THEM TO THE COUNCIL IN ORDER THAT THE COUNCIL TAKE NOTE THEREOF AS WOULD HAVE BEEN THE CASE FOR THE INITIAL COMMITMENTS.

9. NON-MEMBER COUNTRIES WHICH MAY BE INVITED SUBSEQUENTLY TO PARTICIPATE IN THE COMMITTEE WOULD UNDERTAKE THE COMMITMENTS IN AN APPROPRIATE MANNER WHEN RESPONDING TO THE INVITATION OF THE SECRETARY-GENERAL OF OECD.

ARTICLE 3

10. THIS ARTICLE DEALS WITH PARTICIPATION IN THE COMMITTEE BY MEMBER COUNTRIES OF OECD, THE EUROPEAN COMMUNITIES AND NON-MEMBER COUNTRIES. THE CURRENT VERSION OF THE "DRAFT RESOLUTION ON STEEL" (AS AGREED ON 26TH AND 27TH JULY, 1978, PARAGRAPH 7) NOTES THAT A CONSENSUS WAS REACHED THAT A LIMITED NUMBER OF NON-MEMBER COUNTRIES WOULD BE INVITED TO PARTICIPATE IN THE COMMITTEE AND THAT THIS CONSENSUS WOULD BE FORMULATED IN THE DRAFT COUNCIL DECISION. THE PROPOSED FORMULATION TAKES ACCOUNT OF THE TEXTS ON PARTICIPATION WHICH FIGURES IN EARLIER VERSIONS OF THE "DRAFT RESOLUTION ON

STEEL" AND ADAPTS THEM TO THE REQUIREMENTS OF THE ORGANISATION.

11. WITH REGARD TO PARTICIPATION OF OECD MEMBER LIMITED OFFICIAL USE

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COUNTRIES, THIS IS PROVIDED FOR IN PARAGRAPH (A) IN CONFORMITY WITH NORMAL PRACTICE OF THE ORGANISATION, I.E. THOSE MEMBER COUNTRIES WISHING TO PARTICIPATE AT THE OUTSET SO DECLARE AND ARE LISTED AS PARTICIPANTS AB INITIO WHILST THE POSSIBILITY IS LEFT OPEN FOR OTHER MEMBER COUNTRIES TO PARTICIPATE IN THE COMMITTEE AT A LATER STAGE.

12. PARTICIPATION BY NON-MEMBER COUNTRIES HAS BEEN TREATED IN A SPECIAL WAY SINCE THIS IS NOT NORMAL PRACTICE AT OECD AND RAISES SOME LEGAL AND POLITICAL PROBLEMS. AN ATTEMPT HAS BEEN MADE TO STRIKE A BALANCE. ON THE ONE HAND, THE COUNCIL SHOULD MAINTAIN AN OVERVIEW OF ALL THE ACTIVITIES OF THE ORGANISATION BOTH AS A MATTER OF GENERAL POLICY AND IN ORDER TO ENSURE THAT THE COMMITTEE'S ACTIVITIES FIT PROPERLY INTO THE ECONOMIC AIMS OF THE ORGANISATION; AN IMPORTANT CONSIDERATION IN THIS RESPECT IS PARTICIPATION BY OTHER THAN MEMBER COUNTRIES IN CERTAIN OF THE ORGANISATION'S ACTIVITIES. ON THE OTHER HAND, THE STEEL COMMITTEE OUGHT TO BE GIVEN A BROAD FUNCTIONAL AUTONOMY OF ACTION IN ITS PARTICULAR FIELD OF ACTIVITY WHICH WOULD INCLUDE A TECHNICAL DETERMINATION OF THE SUITABILITY OF A NON-MEMBER COUNTRY AS A PARTICIPANT.

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13. IN FACT, ARTICLE 12(C) OF THE OECD CONVENTION PROVIDES THAT INVITATIONS TO NON-MEMBER GOVERNMENTS ARE MADE "UPON SUCH TERMS AND CONDITIONS AS THE COUNCIL MAY DETERMINE". THEREFORE ULTIMATE RESPONSIBILITY HAS BEEN GIVEN TO THE COUNCIL IN THESE MATTERS. ALTHOUGH THE COUNCIL MAY DELEGATE THIS POWER, IT WOULD SEEM DESIRABLE, AS STATED EARLIER, THAT IT MAINTAIN AN OVER-VIEW OF THE ORGANISATION'S ACTIVITIES FROM BOTH A POLITICAL AND ECONOMIC POLICY STANDPOINT, INCLUDING PARTICIPATION IN SUCH ACTIVITIES BY A NON-MEMBER COUNTRY. THUS, ALL MEMBER COUNTRIES (NOT MERELY THOSE PARTICIPATING IN THE COMMITTEE) SHOULD TAKE PART IN THE DETERMINATION UNDER ARTICLE 12 SINCE PARTICIPATION OF A NON-MEMBER COUNTRY MAY HAVE IMPLICATIONS FOR OTHER AREAS OF ACTIVITY OF THE ORGANISATION. AT THE SAME TIME, HOWEVER, IT WOULD BE RECOGNISED THAT IN THE CASE

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OF THE STEEL COMMITTEE, GIVEN THE NATURE OF THE COMMITTEE'S ACTIVITIES, IT SHOULD BE THE SOLE JUDGE OF WHETHER A GIVEN NON-OECD COUNTRY MET THE VARIOUS REQUIREMENTS SET OUT IN THE "DRAFT RESOLUTION ON STEEL" AND WHETHER PARTICIPATION OF THAT COUNTRY WOULD CONTRIBUTE TO ACHIEVING THE OBJECTIVES OF THE COMMITTEE.

14. THE DRAFT PROVISION, THEREFORE, ASSIGNS TO THE COMMITTEE THE RIGHT TO PROPOSE TO THE COUNCIL THAT A GIVEN NON-MEMBER COUNTRY SHOULD BE INVITED TO PARTICIPATE IN THE COMMITTEE, INCLUDING THE TERMS AND CONDITIONS FOR SUCH PARTICIPATION. MOREOVER, DETERMINATION AS TO WHETHER THE COUNTRY NOMINATED HAS AGREED AND IS ABLE TO UNDERTAKE THE REQUIRED COMMITMENTS WITH REGARD TO THE COMMITTEE'S WORK AND WHETHER ITS PARTICIPATION WOULD CONTRIBUTE TO ACHIEVING THE OBJECTIVES OF THE COMMITTEE HAS BEEN LEFT TO THE STEEL COMMITTEE.

15. THE COUNCIL WOULD RETAIN THE ULTIMATE POWER OF DECISION IN THE MATTER BUT THERE WOULD BE A PRESUMPTION IN FAVOUR OF THE COMMITTEE'S JUDGMENT. THUS, UNLESS THE COUNCIL DECIDED UNANIMOUSLY (OECD CONVENTION, ARTICLE 6.1) THAT SUCH INVITATION WOULD NOT BE APPROPRIATE IN THE OVER-ALL CONTEXT OF OECD, THE SECRETARY-GENERAL WOULD INVITE THE NON-MEMBER COUNTRY TO PARTICIPATE IN THE COMMITTEE.

16. IN THE LIGHT OF THE BROAD POWERS WHICH WOULD BE ASSIGNED TO THE COMMITTEE IN THIS MATTER, IT HAS BEEN PROVIDED THAT IN TAKING A DECISION TO PROPOSE TO THE COUNCIL THAT A NON-MEMBER COUNTRY BE INVITED TO PARTICIPATE, ONLY OECD MEMBER COUNTRIES WOULD TAKE PART IN THAT DECISION. THE PARTICIPATION OF NON-MEMBER LIMITED OFFICIAL USE

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COUNTRIES IN OECD ACTIVITIES IS A QUESTION WHICH MUST REMAIN WITHIN THE EXCLUSIVE PURVIEW OF MEMBERS OF THE ORGANISATION.

17. THE FIRST SENTENCE OF PARAGRAPH (B) OF ARTICLE 3 USES THE SAME QUALIFICATIONS AS THOSE OF THE TEXT ON PARTICIPATION WHICH APPEARS IN AN EARLIER VERSION OF THE "DRAFT RESOLUTION ON STEEL", NAMELY THAT INVITATIONS MAY BE MADE TO NON-MEMBER COUNTRIES "WITH SUBSTANTIAL STEEL PRODUCTION OR TRADE INTERESTS" BUT THE TERM "OR TRADE" HAS BEEN BRACKETED SINCE, AS BROUGHT OUT AT THE LAST MEETING OF THE AD HOC GROUP ON STEEL THE WHOLE EXPRESSION REQUIRES FURTHER CONSIDERATION.

ARTICLE 4

18. PROVISION HAS BEEN MADE FOR THE COMMITTEE'S BUDGET TO APPEAR IN PART II OF THE ORGANISATION'S BUDGET, AND PROPOSALS WILL BE MADE EACH YEAR BY THE COMMITTEE TO THE COUNCIL IN LINE WITH THE NORMAL PRACTICE OF THE ORGANISATION.

19. IT WILL BE SUGGESTED, IN THE DRAFT PROGRAMME AND BUDGET TO BE SUBMITTED, THAT MEMBER COUNTRIES PARTICIPATING IN THE COMMITTEE CONTRIBUTE TO THE BUDGET ON THE BASIS OF THE SCALE OF CONTRIBUTIONS TO THE ORGANISATION'S NORMAL BUDGET. AS IT IS ENVISAGED THAT THE EUROPEAN COMMUNITIES WILL ALSO PARTICIPATE IN THE COMMITTEE,

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THEIR CONTRIBUTION WOULD ALSO FIGURE IN THE
BUDGET PROPOSALS.

20. THE POSITION OF ANY NON-MEMBER COUNTRIES INVITED
TO PARTICIPATE IN THE COMMITTEE AS IS ENVISAGED IN
ARTICLE 3 ALSO NEEDS TO BE CONSIDERED. AS THEY ARE NOT
INCLUDED IN THE DETERMINATION OF THE SCALE OF CONTRIBU-
TIONS FOR THE OECD, IT WOULD BE APPROPRIATE, WHEN
DETERMINING THE CONDITIONS OF THEIR PARTICIPATION IN
THE WORK OF THE COMMITTEE, THAT AN "ASSESSMENT" BE
FIXED WHICH WOULD BE SUBJECT TO REVISION EACH YEAR AS
ARE CONTRIBUTIONS TO THE BUDGET.

ARTICLE 5

21. PROVISION IS MADE HERE IN THE USUAL MANNER FOR THE
COMMITTEE TO BE ABLE TO MAKE PROPOSALS TO THE COUNCIL
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AND TO SUBMIT OTHER COMMUNICATIONS AS WELL.

ARTICLE 6

22. THE BASIC PROVISION HERE IS FOR APPLICATION OF THE RULES OF PROCEDURE OF THE ORGANISATION TO THIS COMMITTEE EXCEPT WHERE THE DECISION ESTABLISHING THE COMMITTEE DEROGATES FROM THOSE RULES. THE ADVANTAGE HERE IS THAT IT WOULD THUS NOT BE NECESSARY FOR THE COMMITTEE TO FORMULATE ITS OWN RULES AND, MOREOVER, THIS WOULD FACILITATE THE INTEGRATION OF THE COMMITTEE INTO THE NORMAL WORKING ARRANGEMENTS OF OECD.

23. APPLICATION OF THE RULES OF PROCEDURE WOULD, OF COURSE, HAVE A NUMBER OF IMPLICATIONS. FOR EXAMPLE, THE COMMITTEE WOULD ACT BY "MUTUAL CONSENT" WHICH IN OECD PRACTICE MEANS "CONSENSUS" SINCE VOTING PER SE IS VERY EXCEPTIONAL IN THE ORGANISATION.

24. NON-MEMBER COUNTRIES INVITED TO PARTICIPATE IN THE COMMITTEE WOULD TAKE PART IN SUCH "MUTUAL CONSENT" AS THEY WOULD BE ON AN EQUAL FOOTING WITH MEMBER COUNTRIES. HOWEVER, ONE RESTRICTION HAS BEEN PLACED THEREON IN RESPECT OF AN INVITATION TO ANOTHER NON-MEMBER COUNTRY AS EXPLAINED IN PARAGRAPH 16 ABOVE.

25. SHOULD THE COMMITTEE PROPOSE TO THE OECD COUNCIL THAT IT ADOPT A RECOMMENDATION OR DECISION CONCERNING THE COMMITTEE'S WORK, PROVISION WOULD BE MADE THEREIN FOR NON-MEMBER COUNTRIES PARTICIPATING IN THE COMMITTEE TO ACCEDE THERETO.

26. APPLICATION OF THE RULES OF PROCEDURE OF THE
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ORGANISATION WOULD ALSO MEAN THAT SECTION VI THEREOF (SUBSIDIARY BODIES) WOULD GOVERN THE ACTIVITIES OF THE COMMITTEE; FOR EXAMPLE, THE COMMITTEE WOULD HAVE TO SUBMIT PROPOSALS TO THE COUNCIL IF FORMAL ACTION BY THE ORGANISATION WERE DESIRED. ON THE OTHER HAND, SPECIAL PROVISION HAS BEEN MADE IN PARAGRAPH (B) OF THIS ARTICLE WHEREBY THE COMMITTEE MAY MAKE "RECOMMENDATIONS" TO PARTICIPANTS. THIS GOES BEYOND THE NORMAL POWERS GIVEN TO A COMMITTEE OF THE ORGANISATION. THE

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RECOMMENDATIONS ENVISAGED UNDER THIS PARAGRAPH SHOULD NOT, HOWEVER, BE CONFUSED WITH "RECOMMENDATIONS" PROVIDED FOR UNDER ARTICLE 5(B) OF THE OECD CONVENTION AND WOULD NOT HAVE THE SAME LEGAL CONSEQUENCES. ON THE OTHER HAND, THEY WOULD NOT BE DEVOID OF EFFECT AS COUNCIL WOULD HAVE GIVEN TO THE COMMITTEE THE SPECIFIC POWER TO MAKE SUCH RECOMMENDATIONS.

27. PROVISION HAS BEEN MADE IN PARAGRAPH (C) OF THIS ARTICLE WHEREBY, SHOULD THE INITIAL COMMITMENTS REQUIRE MODIFICATION AT A LATER STAGE IT WOULD BE FOR THE COMMITTEE TO PROPOSE SUCH MODIFICATIONS TO THE COUNCIL AND UNLESS THE COUNCIL DECIDED UNANIMOUSLY THAT SUCH MODIFICATIONS WERE NOT CONSISTENT WITH THE AIMS OF THE ORGANISATION IT WOULD AMEND THE ANNEX ACCORDINGLY.

ARTICLE 7
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28. THIS ARTICLE PROVIDES THAT THE ANNEX (I.E. THE FORMER "DRAFT RESOLUTION ON STEEL") IS AN INTEGRAL PART OF THE DECISION AND THUS HAS THE SAME BINDING EFFECT.

29. PROVISION IS MADE FOR DETERMINING THE DATE ON WHICH THE DECISION TAKES EFFECT. NO DURATION HAS BEEN STIPULATED SINCE AT THIS STAGE SOME MEMBERS ENVISAGE THE COMMITTEE AS A TEMPORARY ACTIVITY WHILST OTHERS SEE IT IN A MORE LONG-RANGE PERSPECTIVE. LEAVING THE QUESTION OF DURATION OPEN DOES NOT PREJUDICE EITHER OF THESE VIEWS NOR DOES IT RESTRICT THE DISCUSSION OF THIS POINT AT A LATER DATE. END OF TEXT
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